

FY2022 FINANCIAL PLAN

OVERVIEW

The City of Williamsburg has formalized a Five-Year Plan for the General Fund to provide a framework to forecast the City's financial outlook over the next five years. This forecast, in conjunction with the five-year Capital Improvement Plan, will enable the City to establish and track progress towards City Council's strategic Goals, Initiatives and Objectives (GIO's). This multi-year planning process allows for new or large initiatives, as identified in the GIO's, to be planned, funded and phased-in over time.

The Financial Plan is based on historical data and trends as well as assumptions derived from various sources. As with all forecasts, there are many unpredictable economic factors affecting the projection of revenue and expenditures, particularly the future impacts of the COVID-19 pandemic. The assumptions within this forecast are based on the most recent information available and, as to be expected, projections may lose some of their validity as the City moves further into the future. Also, as plans for the funds from the American Rescue Plan Act (ARPA) have not yet been determined, the ARPA funding has not been specifically incorporated into the financial forecast.

The Financial Plan contains the following information:

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FORECAST—REVENUE

GENERAL PROPERTY TAXES	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
REAL ESTATE	\$13,832,913	\$14,714,090	\$15,229,083	\$15,762,101	\$16,313,775	\$16,885,409
PERSONAL PROPERTY	3,517,700	3,588,054	3,659,815	3,733,011	3,807,672	3,883,825
PENALTIES AND INTEREST	116,000	118,320	120,686	123,100	125,562	128,073
TOTAL GENERAL PROPERTY TAXES	\$17,466,613	\$18,420,464	\$19,009,585	\$19,618,213	\$20,247,008	\$20,897,308
OTHER LOCAL TAXES						
UTILITY TAX AND BUSINESS LICENSES	\$3,057,300	\$3,149,019	\$3,211,999	\$3,276,239	\$3,341,764	\$3,408,599
COMMUNICATION TAX	584,000	578,160	572,378	566,655	560,988	555,378
HOTEL AND MOTEL TAXES	2,200,000	3,410,000	3,444,100	3,478,541	3,513,326	3,548,460
RESTAURANT & FOOD TAXES	7,100,000	7,490,500	7,565,405	7,641,059	7,717,470	7,794,644
TOTAL OTHER LOCAL TAXES	\$12,941,300	\$14,627,679	\$14,793,883	\$14,962,494	\$15,133,548	\$15,307,082
LICENSES AND PERMITS	\$154,500	\$162,225	\$167,092	\$169,598	\$172,990	\$176,450
FINES	170,000	280,500	283,305	286,138	288,999	291,889
USE OF MONEY & PROPETY	376,719	376,719	376,719	376,719	376,719	376,719
PARKING	484,000	1,061,950	1,061,950	1,061,950	1,061,950	1,061,950
CHARGES FOR SERVICES	415,426	423,735	427,972	432,252	436,574	440,940
MISCELLANEOUS	2,368,062	2,568,536	2,768,536	2,768,536	2,768,536	2,768,536
INTERGOVERNMENTAL	2,772,005	2,799,725	2,827,722	2,856,000	2,884,560	2,913,405
TOTAL PRIOR TO TRANSFERS	\$37,148,625	\$40,721,532	\$41,716,763	\$42,531,899	\$43,370,884	\$44,234,278
		9.62%	2.44%	1.95%	1.97%	1.99%
TRANSFER FROM G/F RESERVES	\$2,483,530	\$0	\$0	\$0	\$0	\$0
TRANSFER FROM TOURISM FUND	0	0	0	0	0	0
TRANSFER FROM CIP FUND	0	0	0	0	0	0
TOTAL	\$39,632,155	\$40,721,532	\$41,716,763	\$42,531,899	\$43,370,884	\$44,234,278
TOTAL % CHANGE		2.75%	2.44%	1.95%	1.97%	1.99%

* INCLUDES \$2.7M OF CARES FUNDING AND \$1.5M SCHOOLS SALES TAX

FORECAST—EXPENDITURE

SALARY	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SALARY	\$10,695,671	\$11,016,541	\$11,347,037	\$11,687,448	\$12,038,072	\$12,399,214
SALARY OVERTIME	284,050	292,572	301,349	310,389	319,701	329,292
PART TIME	408,280	416,446	424,775	433,270	441,935	450,774
SPECIAL EVENTS	74,800	78,540	80,896	83,323	85,823	88,397
DISCRETIONARY LEAVE	135,000	139,050	143,222	147,518	151,944	156,502
TOTAL SALARIES	\$11,597,801	\$11,943,148	\$12,297,278	\$12,661,949	\$13,037,475	\$13,424,179

BENEFITS

FICA	\$858,132	\$883,875	\$910,392	\$937,703	\$965,835	\$994,810
RETIREMENT - VRS	1,530,028	1,568,279	1,607,486	1,647,673	1,688,865	1,731,086
HOSPITALIZATION	1,995,425	2,035,334	2,076,040	2,117,561	2,159,912	2,203,110
LIFE INSURANCE	130,074	132,675	135,329	138,036	140,796	143,612
TOTAL BENEFITS	\$4,513,659	\$4,620,163	\$4,729,247	\$4,840,973	\$4,955,408	\$5,072,618
TOTAL PERSONNEL	\$16,111,460	\$16,563,311	\$17,026,525	\$17,502,922	\$17,992,882	\$18,496,798

CONTRACTUAL, GRANTS, OUTSIDE AGENCIES

PROFESSIONAL SERVICES	\$1,100,584	\$1,133,602	\$1,167,610	\$1,202,638	\$1,238,717	\$1,275,878
SERVICE CONTRACTS	400,300	643,909	894,826	1,153,271	1,419,469	1,693,653
PURCHASE OF SERVICE - JAIL, ANIMAL CONTROL ETC.	1,095,085	1,116,987	1,139,326	1,162,113	1,185,355	1,209,062
SOLID WASTE CONTACTS	691,600	705,432	719,541	733,931	748,610	763,582
UTILITIES-ELECTRICITY, HEATING, WATER, TELECOMMUNICATION	682,280	689,103	695,994	702,954	709,983	717,083
SCHOOLS	9,214,181	9,214,181	9,214,181	9,214,181	9,214,181	9,214,181
REGIONAL LIBRARY	906,654	906,654	906,654	906,654	906,654	906,654
PUBLIC ASSISTANCE	1,396,503	1,381,503	1,381,503	1,381,503	1,381,503	1,381,503
OUTSIDE AGENCIES	783,087	783,087	783,087	783,087	783,087	783,087
CARES GRANT FUNDING	0	0	0	0	0	0
TOTAL CONTRACTUAL, GRANTS, & OUTSIDE AGENCIES	\$16,270,274	\$16,574,457	\$16,902,721	\$17,240,332	\$17,587,559	\$17,944,684
OTHER OPERATING EXPENSES	\$4,104,786	\$4,145,834	\$4,187,292	\$4,229,165	\$4,271,457	\$4,314,171
TOTAL EXP BEFORE TRANSFERS	\$36,486,520	\$37,283,602	\$38,116,538	\$38,972,418	\$39,851,898	\$40,755,653
TRANSFERS	2,205,000	2,205,000	2,205,000	2,205,000	2,205,000	2,205,000
TRANSFER TO CIP - 4.5 CENTS	940,635	940,635	940,635	940,635	940,635	940,635
TOTAL EXPENDITURES	\$39,632,155	\$40,429,237	\$41,262,173	\$42,118,053	\$42,997,533	\$43,901,288

FORECAST SURPLUS (DEFICIT)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
REVENUE	\$37,148,625	\$40,721,532	\$41,716,763	\$42,531,899	\$43,370,884	\$44,234,278
EXPENDITURE	\$39,632,155	\$40,429,237	\$41,262,173	\$42,118,053	\$42,997,533	\$43,901,288
Surplus (Deficit)	<u><u>(\$2,483,530)</u></u>	<u><u>\$292,296</u></u>	<u><u>\$454,590</u></u>	<u><u>\$413,845</u></u>	<u><u>\$373,351</u></u>	<u><u>\$332,990</u></u>



FIVE YEAR REVENUE ASSUMPTIONS

KEY REVENUE ASSUMPTION DETAILS

PROPERTY TAXES

REAL ESTATE

Real estate tax revenue accounts for approximately 40% of General Fund revenues making it a significant budget driver for the City. In stable economic times, real estate assessments typically grow between 3-5% annually. Assessments are impacted by many factors including the type of property, the property's condition and location and how these impact sales prices. For certain commercial type properties, income and expenses for the property factor into the assessed value of the property.

For the five-year forecast, due to the uncertain impacts of the COVID-19 pandemic, the City's Real Estate Assessor projects assessments to be 3.25% in FY 2023 and increase growth to 3.50% for FY 2024-FY 2027.

PERSONAL PROPERTY TAX

Personal Property tax is mainly a tax on the value of vehicle assessments. The Commissioner of Revenue projects that vehicle assessments will grow each year. However, personal property revenue collections are also dependent on collection rates and the number of delinquencies each year, and which can be more volatile, so a conservative growth rate has been.

CONSUMER DRIVEN TAXES

BUSINESS LICENSES

Business and Professional License tax had a 7% decrease from FY 2019 to FY 2020 and a slow but continued growth of 2% was used as the impacts of the COVID-19 pandemic are determined.

HOTEL AND MOTEL—GENERAL & TOURISM FUNDS

The hotel/motel tax experienced a 30% decline during the first months of the COVID-19 pandemic. Hotel tax is influenced by both the number of room nights and changes in room rates used to encourage occupancy. Recovery from the COVID-19 pandemic will depend on both factors. Occupancy has been increasing in FY 2021 and while it appears likely that occupancy may return to pre-pandemic levels over the next year, there is still economic and health uncertainty as how the actual results will trend. Therefore, FY 2023 was estimated close to pre-pandemic levels and a conservative 1% growth was used for this tax for the next five years.

RESTAURANT AND FOOD (MEALS)

Restaurant and food tax had a 20% decline during FY 2020. The City has provided grants and opportunities for outdoor dining options to assist restaurants improve dining options. Although the number of restaurants has decreased since 2020, the City anticipates that there will be a spurt of post-COVID-19 vaccination growth of 5.5% and then a 1% conservative growth rate was used as the impacts of COVID-19 on the economy are determined.



GENERAL PROPERTY TAXES

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
REAL ESTATE	3.25%	3.50%	3.50%	3.50%	3.50%
PERSONAL PROPERTY	2.00%	2.00%	2.00%	2.00%	2.00%
PENALTIES AND INTEREST	2.00%	2.00%	2.00%	2.00%	2.00%

OTHER LOCAL TAXES

UTILITY TAX AND BUSINESS LICENSES	3.00%	2.00%	2.00%	2.00%	2.00%
COMMUNICATION TAX	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
HOTEL AND MOTEL TAXES	55.00%	1.00%	1.00%	1.00%	1.00%
RESTAURANT AND FOOD TAXES	5.50%	1.00%	1.00%	1.00%	1.00%

LICENSES AND PERMITS	5.00%	3.00%	1.50%	2.00%	2.00%
FINES	65.00%	1.00%	1.00%	1.00%	1.00%
USE OF MONEY AND PROPERTY -RENTS	0.00%	0.00%	0.00%	0.00%	0.00%
CHARGES FOR SERVICES - SHERIFF, PARKS & REC, CEMETERY	2.00%	1.00%	1.00%	1.00%	1.00%
MISCELLANEOUS - PILOT, EMS RECOVERIES	0.02%	0.00%	0.00%	0.00%	0.00%
INTERGOVERNMENTAL - FEDERAL AND STATE AID	1.00%	1.00%	1.00%	1.00%	1.00%
TRANSFER FROM G/F RESERVES	0.00%	0.00%	0.00%	0.00%	0.00%
TRANSFER FROM TOURISM FUND	0.00%	0.00%	0.00%	0.00%	0.00%
TRANSFER FROM SALES TAX FUND	0.00%	0.00%	0.00%	0.00%	0.00%

FIVE YEAR EXPENDITURE ASSUMPTIONS

KEY EXPENDITURE ASSUMPTION DETAILS

The general expenditure growth rates in the five-year forecast assumes that City programs and services will continue mostly unchanged over the next five years without additional initiatives. City operations are largely driven

by personnel costs. The baseline forecast assumes the City workforce is unchanged in the next five years, and that salaries and benefit costs will continue to grow at a rate consistent with recent history.

SALARY

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SALARY	3.00%	3.00%	3.00%	3.00%	3.00%
SALARY OVERTIME	3.00%	3.00%	3.00%	3.00%	3.00%
PART TIME	2.00%	2.00%	2.00%	2.00%	2.00%
SPECIAL EVENTS	1.00%	1.00%	1.00%	1.00%	1.00%
DISCRETIONARY LEAVE	3.00%	3.00%	3.00%	3.00%	3.00%

BENEFITS

FICA	3.00%	3.00%	3.00%	3.00%	3.00%
RETIREMENT - VRS	2.50%	2.50%	2.50%	2.50%	2.50%
HOSPITALIZATION	2.00%	2.00%	2.00%	2.00%	2.00%
LIFE INSURANCE	2.00%	2.00%	2.00%	2.00%	2.00%

CONTRACTUAL, GRANTS, OUTSIDE AGENCIES

PROFESSIONAL SERVICES	1.50%	1.50%	1.50%	1.50%	1.50%
SERVICE CONTRACTS	1.50%	1.50%	1.50%	1.50%	1.50%
PURCHASE OF SERVICE - JAIL, ANIMAL CONTROL ETC	1.50%	1.50%	1.50%	1.50%	1.50%
SOLID WASTE CONTACTS	2.00%	2.00%	2.00%	2.00%	2.00%
UTILITIES - ELECTRICITY, HEATING, WATER TELECOMMUNICATION	1.50%	2.00%	2.00%	2.00%	2.00%
SCHOOLS	1.50%	1.50%	1.50%	1.50%	1.50%
REGIONAL LIBRARY	1.50%	1.50%	1.50%	1.50%	1.50%
PUBLIC ASSISTANCE	0.50%	0.50%	0.50%	0.50%	0.50%
OUTSIDE AGENCIES	0.00%	0.00%	0.00%	0.00%	0.00%
CARES GRANT FUNDING	0.00%	0.00%	0.00%	0.00%	0.00%
OTHER OPERATING EXPENSES	1.00%	1.00%	1.00%	1.00%	1.00%

FORECAST FUND BALANCE

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Unassigned Fund Balance 6/30/20	\$14,644,327	\$12,160,804	\$12,453,100	\$12,907,689	\$13,321,535	\$13,694,886
Increase (decrease) Fund Balance	0	292,296	454,590	413,845	373,351	332,990
Use of Fund Balance	(2,483,530)	0	0	0	0	0
ESTIMATED FUND BALANCE AT YEAR END	\$12,160,797	\$12,453,100	\$12,907,689	\$13,321,535	\$13,694,886	\$14,027,876
	33%	31%	31%	31%	32%	32%
Policy 35% of Operating Revenues	13,002,021	14,252,536	14,600,867	14,886,165	15,179,810	15,481,997
Over/(Under) policy	<u>(\$841,217)</u>	<u>(\$1,799,437)</u>	<u>(\$1,693,178)</u>	<u>(\$1,564,630)</u>	<u>(\$1,484,924)</u>	<u>(\$1,454,121)</u>

CONCLUSION

After conservative estimates and taking into consideration potential economic impacts related to the COVID-19 pandemic, the City of Williamsburg projects a modest decrease to unassigned fund balance for the forecasted period. Based on this forecast, unassigned fund balance will slightly exceed the baseline fund balance policy, but the budget stabilization reserve will not be fully funded. As noted, several assumptions

were made in this five-year projection, and changes to those assumptions will change the final actual results. This forecast assumes that the economy will significantly recover from the COVID-19 pandemic in FY 2023 and actual results and direction from City Council will be incorporated throughout future budget processes to ensure that future budgets are budgets that best meets the needs of the public.